

**REGULAR MEETING OF THE BOARD OF ADMINISTRATION OF THE
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

MINUTES

MARCH 26, 2014

Board Members Present:

Javier Romero, President
Barry Poole, Vice President
LaTanya Bogin, Regular Member
Mario Ignacio, Chief Accounting Employee
Robert Rozanski, Retiree Member
Marcie L. Edwards, General Manager

Board Members Absent:

DWP Commissioner – Vacant

Staff Present:

Mary Higgins, Assistant Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Monette Carranceja, Assistant Retirement Plan Manager
Mary E. Alvarez, Utility Executive Secretary

Others Present:

Alan Manning, Assistant City Attorney
Marie McTeague, Deputy City Attorney

Mr. Romero called the meeting to order at 9:05 a.m.

Ms. Higgins stated a quorum of the Board of Administration of the Water and Power Employees' Retirement Plan (Retirement Board) was present.

Public Comments

Mr. Romero welcomed Ms. Edwards as the most recent appointment to the Retirement Board.

Mr. Romero introduced Retirement Office employees Lisa Johnson, Saida Beckum, and Ruby Sakai, who were hired to the classification of Clerk Typist in the Systems, Disability, and Membership Sections, respectively.

1. **Approval of Minutes of the January 22, 2014, Regular Meeting**
2. **Termination from Rolls**
 - a) **Termination of Monthly Allowance from the February 2014 Retirement Roll**
 - b) **Termination of Jose Alvarez from the February 2014 Permanent Total Disability Roll**
 - c) **Termination of David R. Williams from the February 2014 Permanent Total Disability Roll**
 - d) **Termination of Monthly Allowance from the March 2014 Retirement Roll**

Mr. Rozanski moved that the Board approve Items 1 and 2; seconded by Mr. Ignacio.

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

3. **Report of Payment Authorizations**
 - a) **January 2014**
 - b) **February 2014**
4. **Notice of Deaths**
 - a) **January 2014**
 - b) **February 2014**
5. **Investment Reports for January 2014**
 - a) **Summary of Investment Returns as of January 31, 2014**
 - b) **Market Value of Investments by Fund and Month as of January 31, 2014**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of January 31, 2014**
 - d) **Summary of Contract Expirations**
6. **Investment Reports for February 2014**
 - a) **Summary of Investment Returns as of February 28, 2014**
 - b) **Market Value of Investments by Fund and Month as of February 28, 2014**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of February 28, 2014**
 - d) **Summary of Contract Expirations**
7. **Report on Status of Insurance as of March 10, 2014**
8. **Retirement Board Meeting Attendance Report for 2013**
9. **Report on Organizational Change at T. Rowe Price, Associates, Inc., U.S.Active Large-Cap Growth Equity**
10. **Presentation by Pension Consulting Alliance, Inc. – 2013 Fourth Quarter Performance Report**
11. **Presentation by Pension Consulting Alliance, Inc. – 2013 Third Quarter Private Equity Performance Report**
12. **Presentation by Pension Consulting Alliance, Inc. – 2013 Fourth Quarter Real Return Performance Report**
13. **Presentation by Earnest Partners, LLC, Small Cap Manager – Annual Performance Review**
14. **Presentation by Frontier Capital Management Company, LLC, Small Cap Manager – Annual Performance Review**

Mr. Rozanski moved that the Board approve Items 3 through 14; seconded by Mr. Ignacio.

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

15. Presentation by the City Attorney's Office – The New City Ethics Ordinance

Alan Manning, Assistant City Attorney, summarized changes to the Government Ethics Ordinance, effective February 10, 2014, as applicable to Pension Board members. He reported specifically on Restricted Sources; Gifts and Exclusions; Revised Disclosure Requirements; Confidential Information; Commissioner Participation in the Contracting Process; Political Activities; Whistleblower Provisions; and Enforcement for conflict of interest provision.

16. Discussion of the Private Equity Investment Policy Guidelines

Mr. Wolfson reported on proposed changes to the Private Equity Investment Policy section of the Plans Statement of Investment Objectives, Goals, and Guidelines (Investment Policy). He advised that the changes reduce risk for stronger performance results, provide for more cost efficient deployment of capital to the private equity asset class through the reduction in extra layer of fees associated with fund of funds, and allow for greater customization and sufficient diversification of assets.

Tad Fergusson, Pension Consulting Alliance, Inc., (PCA) concurred with Mr. Wolfson and stated that the changes to the Investment Policy would develop overall a more cost-efficient deployment of capital and broaden the opportunity set for the program.

Mr. Wolfson also requested a revision to page 16.23, paragraph one, line four of the report to delete the word "not".

Mr. Rozanski moved that the Board approve Resolution No. 14-70; seconded by Ms. Bogin.

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

18. Discussion of July 1, 2014, Annual Cost of Living Adjustment for Eligible Recipients of Monthly Retirement Plan Benefits

Ms. Higgins presented the report on the Annual Cost of Living Adjustment (COLA) for eligible recipients of monthly retirement plan benefits. Ms. Higgins explained that the adjustment goes into effect every July 1, and is based on the change in the Consumer Price Index (CPI) for the Los Angeles/Riverside area. She advised that CPI used to determine the COLA for July 2014 was 1.1%. Ms. Higgins also reported that an audit of the COLA banks found an error that occurred in July 2000; and therefore, required a one-time adjustment to the bank for 143 persons.

Mr. Rozanski moved that the Board approve Resolution No. 14-72; seconded by Mr. Ignacio.

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

19. Discussion of the Plan's Commission Recapture Program

Mr. Wolfson presented the report to request approval to pursue a Request for Proposal (RFP) to potentially replace ConvergeEx Execution Solutions, LLC, (ConvergeEx) as the Plan's Commission Recapture manager and to request approval to extend the contract with ConvergeEx for a period of six months to allow time to complete the RFP process.

Mr. Rozanski moved that the Board approve Resolution No. 14-67 and 14-68; seconded by Mr. Ignacio.

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

20. Discussion of Manager Specific Guidelines for Hedge Fund of Funds

Mr. Vargas presented the report to adopt the proposed changes to the manager specific Investment Guidelines for the Divergent Hedge Fund of Funds and incorporate them into the Plan's Investment Policy. Mr. Vargas reported that GAM USA, Inc., (GAM) the Plan's Divergent Hedge Fund of Funds manager, requested to update the existing Investment Policy language to include reducing the current volatility range and clarifying the language associated with the correlation requirement. He further advised that PCA and staff analyzed the changes and the impact on the portfolio and recommend approval of the changes.

Mr. Rozanski moved that the Board approve Resolution No. 14-73; seconded by Mr. Ignacio.

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

21. Discussion of Real Estate Consulting Services

Mr. Wolfson presented the report to request approval to extend the real estate investment consulting contract with Courtland Partners, Ltd., (Courtland) for a three-year period beginning May 22, 2014 through April 30, 2017.

Mr. Rozanski moved that the Board approve Resolution No. 14-74; seconded by Mr. Ignacio.

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

22. Discussion of Signature Authority for the Retirement Plan Manager

Ms. Higgins presented the report to request certification of Mary Higgins as the Interim Retirement Plan Manager of the Water and Power Employees' Retirement Plan (Plan) and authorize her to sign documents on behalf of the Plan and the Board, effective April 1, 2014, on the retirement of the current Retirement Plan Manager. She also advised that the resolution was of a technical nature.

Mr. Poole expressed concern regarding the Retirement Board's authority to approve the report considering prior City Attorney opinion advising that the Retirement Board had no authority in the interview or hiring process of the Interim or Retirement Plan Manager. Mr. Poole requested that the City Attorney provide the Retirement Board with the rationale as to why the Retirement Board was not included in any of the preliminary processes for selection of the Interim or permanent Retirement Plan Manager.

Mr. Manning stated that the City Attorney's Office had previously opined on the matter. He later stated the City Attorney would provide the information requested.

Mr. Romero concurred with Mr. Poole's request for information from the City Attorney.

Mr. Rozanski moved that the Board approve Resolution No. 14-75; seconded by Mr. Ignacio.

Ayes: Bogin, Edwards, Ignacio, Romero, Rozanski

Abstained: Poole

Nays: None

Absent: None

THE MOTION CARRIED.

23. Retirement Plan Manager's Comments

In the absence of Sangeeta Bhatia, Retirement Plan Manager, Ms. Higgins expressed Ms. Bhatia's gratitude to the Retirement Board for its support and leadership over her tenure as the Plan Manager.

Ms. Higgins further advised the Retirement Board on the following:

- Systems – Regarding functionality, all of the main functions have been implemented and staff continues to move forward with some of the finer points of the system.
- Newsletters – It is anticipated that the Newsletters would be released in May or early June.
- Tier 2 – Staff continues to make progress on the many operational changes associated with the implementation of Tier 2.

24. Future Agenda Items

Mr. Poole requested to keep the Emerging Manager training on radar.

Mr. Romero requested the following future agenda items:

- Review of the policy for evaluating the City Attorney services and the process thereof
- Pending Experience Study
- Process to obtain all agenda packages via computer

Mr. Romero also requested staff to provide information on conferences and training for the two new members of the Retirement Board.

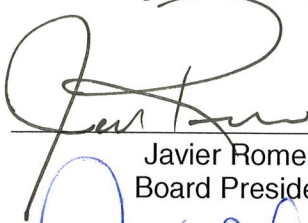
The Board met in Closed Session at 9:49 p.m. to discuss the following:

17. CLOSED SESSION PURSUANT TO GOVERNMENT SECTION CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF ONE PARTICULAR, SPECIFIC PENSION FUND INVESTMENT

The Board met back in Open Session at 10:15 a.m.


Discussion ensued regarding clarification of the Retirement Board's request for information from the City Attorney on the Retirement Board's authority in the preliminary processes for selection of the Interim or Retirement Plan Manager.

There being no further business, the meeting adjourned at 10:21 a.m.



Javier Romero
Board President

5/28/14
Date



Mary C. Higgins
Assistant Retirement Plan Manager

5/28/14
Date



Mary E. Alvarez
Utility Executive Secretary

5/28/14
Date